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Report Highlights:

Copra meal and coconut oil (CNO) production will decline through MY05/06 reflecting the decline in copra output during the period. As a result, exports of copra and copra products are expected to decline over the next two years. Soybean production, on the other hand, will remain flat through 2006. Rising production costs and consumer prices will dampen overall soybean demand as soybean imports decline in 2005, and stay at this level in 2006. Soybean meal (SBM) imports this year will stay at the 2004 level due to adequate stocks but will grow in 2006, as feed demand remains firm. Fishmeal imports are expected to post marginal increases over the next two years while soybean oil (SBO) imports are expected to remain at the 2004 level through 2006.

Includes PSD Changes: Yes
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EXECUTIVE SUMMARY

Growth in the Philippine economy in 2005 is expected to slow from the previous year's pace due to current investment and fiscal problems, as well as the predicted decline in agricultural output. The GRP is currently encouraging more investments and imposing new taxes to generate an extra P80 billion revenue each year. Last year, the country's budget deficit was reportedly at P187.1 billion (\$3.46 billion) or about 4 percent of GDP. Increasing oil and consumer prices are expected to curb consumption in the next two years.

Copra production in MY04/05 is expected to decline slightly from the previous year's level, and will likely drop sharply the following year as a result of decreasing productivity of existing coconut trees. Declining copra supply will result in decreasing copra crush despite the increasing copra imports expected through MY05/06. Local soybean production, on the other hand, will remain minimal and flat growth is expected for the next two years. Soybean imports in 2005 are expected to decline from the 2004 level, as increasing production costs will weaken bean crush demand through 2006. As a result, bean imports during the year will likely stay at the 2005 level. Overall oilseed stocks are expected to decline over the next two years due to weak crush demand.

Copra meal output will mirror the declining trend of copra production through MY05/06. Consequently, domestic copra meal demand and exports will contract during the period. For soybean meal (SBM), production will decline in 2005 due to the high SBM stocks entering the year. Because of this, SBM imports during the year are likely to remain at the 2004 level. SBM supply in 2005, however, is expected to be higher than the 2004 level, making possible increased feed consumption as the local hog industry recovers during the year. SBM production in 2006 is likely to remain at the previous year's level although continued growth in feed demand is expected. As a result, increased imports of SBM next year are expected. Ending inventories of copra meal and SBM are expected to decline over the next two years, however. Fishmeal production, on the other hand, is expected to remain at the 2004 level through 2006, and imports are expected to increase commensurate to fishmeal demand.

Like copra meal, coconut oil (CNO) production will decline in the next two years due to declining copra production. Domestic CNO consumption in MY04/05 will likely stay flat compared to the previous year's level, and then contract in MY05/06 as CNO supply further tightens. Exports of CNO are predicted to decline through MY05/06 with the EU and the United States as the major export destinations. Soybean oil (SBO) output in 2005 will decline from the previous year's level and remain flat in 2006 due to increasing production costs. Flat growth is predicted for SBO consumption over the next two years with imports expected to remain unchanged from the 2004 level. Like CNO, no movement in SBO stocks is expected.

PRODUCTION, Oilseed

Philippine copra production in MY04/05 was pared down as a result of a mild El Nino weather disturbance resulting in below-normal rainfall in major coconut producing regions in 2004. Estimates by the Philippine Coconut Authority (PCA) and the United Coconut Associations of the Philippines, Inc. (UCAP) for calendar year 2005 coconut production are at 2.23 million MT and 2.34 million MT, respectively. A steeper decline in coconut production in MY05/06 is expected with copra output predicted below the two-million MT level.

The abnormal rainfall pattern of 2004, compounded by the absence of a fertilization and rehabilitation program, is likely to extend the decline in copra output beyond MY05/06, according to the PCA. It notes that about 15 percent of Philippine coconut trees are already in various stages of senility, and although there are newly-planted and young coconut trees,

without the proper fertilization and rehabilitation intervention, they are not expected to improve overall coconut production. Such a program is unlikely to materialize in the immediate future, however, in view of the serious fiscal deficit the GRP is currently facing. Efforts by the GRP to tap alternative sources of funds have so far proved unsuccessful (refer to OILSEEDS, Policy).

Local soybean production is expected to remain flat through 2006. The soybean-growing project initiated by the private sector (refer to GAIN RP 4021) reportedly experienced operational problems and is currently still in the seed production stage. Limited commercial production is expected, at the earliest, in 2007.

CONSUMPTION, Oilseed

In 2004, the manufacturing sector reportedly grew by 5 percent, accounting for 21.5 percent of Philippine GDP according to the National Statistical Coordinating Board (NSCB). More than half of the gross value added in manufacturing during the period was in the food and beverage sector. However, consistent with the expected slowdown of the overall Philippine economy, growth in this sector is expected to ease this year, due to increasing petroleum and production costs.

Copra crush in MY04/05 will decline slightly from the previous year's level due to lower copra supply. The following year, copra crush is expected to drop more sharply, reflecting the steep decline in copra production during the period.

As noted in RP GAIN 4021, overall copra crush capacity has, for many years, been double the national copra supply. This gap has had serious implications. Without adequate copra, there is no incentive to invest and modernize existing mills and support infrastructure. This has led to antiquated and inefficient CNO mills and inferior material delivery facilities that have negatively affected the quality of the manufactured coconut product. The high aflatoxin and polyaromatic hydrocarbon (PaH) content of Philippine copra meal and CNO, arising mainly from the improper drying of copra, are indications of this chronic lack of investment in the industry. The absence of a serious replanting, rehabilitation and fertilization program that will substantially increase copra output is expected to perpetuate this malady.

Although still largely produced at the backyard level, virgin coconut oil (VCNO) production and its use is growing. It is claimed to strengthen the immune system in fighting viral, bacterial, fungal and parasitic infections. While VCNO is not derived from copra (the dried meat of the coconut), it is processed from fresh coconut meat and, therefore, displaces a volume of coconut meat that otherwise could have been utilized for copra production. Fresh coconut meat used for VCNO production, however, is currently still insignificant relative to total copra supply. The GRP has notified the WTO of its national standards for VCNO to which the USG has recently provided comments.

Soybean crush in 2005 was revised downwards and is expected to decline from the previous year's level due to increasing oil prices and manufacturing costs. Increasing consumer prices have already forced labor groups to seek higher wages, while the cost of power continues to increase. A power supply deficit in the intermediate future (3-5 years) is also likely to dampen any significant increase in investment to increase manufacturing output. Bean crush will likely stay flat in 2006 compared to the previous year's level due to increasing production costs.

Soybeans used for food purposes, on the other hand, are expected to register marginal increases through 2006 as the Philippine population continues to grow.

STOCKS, Oilseeds

Copra stocks are expected to decline through MY05/06 due to the expected decline in copra production over the next two years. Soybean stocks are also likely to decline through 2006 as overall bean demand is expected to remain fairly flat in the next two years.

TRADE, Oilseed

Copra imports were raised in MY04/05, while exports were eliminated, due to the decline in copra production during the year. Copra imports the following year are expected to surpass the previous year's level as copra supply further tightens. Indonesia will likely be the main source of imported copra through MY05/06. There are no copra exports expected in MY05/06.

Overall soybean imports, and those from the United States, were adjusted upwards in 2004 based on data from the World Trade Atlas (WTA). Despite ample global supply, whole bean imports, including those from the U.S., will likely decline in 2005 compared to the previous year's level due to weakening demand brought about by increasing production costs. While local crushers are technically SBO extracting facilities, local soybean crush is mainly for SBM. High SBM stock levels entering 2005 will dampen bean imports for crush operations. The decline in soybean imports is expected through 2006 due to the general weakness of the Philippine economy.

For 2005, copra imports are levied a 10 percent MFN tariff, while soybean imports are charged a 1 percent duty, the same tariffs as last year (refer to RP GAIN 4021).

POLICY, Oilseed

From 1975-1981, a tax was collected from the sale of copra to finance development projects for the industry. The taxes went to what is now known as the coconut levy fund. Around that time, a significant portion of the fund was invested in several private companies, including San Miguel Corporation (SMC), the country's food and beverage giant. Unconfirmed media reports place the fund in the range of P10-50 billion (\$185-\$926 million)

In the mid-1980's, the fund was sequestered by the government. Subsequently, a multi-sectoral task force was created to oversee the fund. A few years ago, the GRP declared the coconut levy fund as public funds with the PCA's board of Trustees as administrator of the levy. In late 2002, the GRP authorized the release of approximately \$700 million from the fund for programs to raise productivity of the industry; a move questioned and brought to court by SMC. The case is currently with the Supreme Court, which has yet to reach a decision in relation to ownership and administration of the fund.

PSD Table						
Country	Philippines					
Commodity	Oilseed, Copra					
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2003		10/2004		10/2005
Area Planted	3150	3150	3150	3150	0	3150
Area Harvested	2900	2900	2900	2900	0	2900
Trees	283500	283500	283500	283500	0	283500
Beginning Stocks	20	20	60	60	60	55
Production	2300	2300	2400	2230	0	1795
MY Imports	26	26	28	35	0	50
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	2346	2346	2488	2325	60	1900
MY Exports	3	3	2	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	2283	2283	2426	2270	0	1860
Food Use	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	0	0	0	0	0	0
Total Dom. Consumption	2283	2283	2426	2270	0	1860
Ending Stocks	60	60	60	55	0	40
TOTAL DISTRIBUTION	2346	2346	2488	2325	0	1900
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Philippines					
Commodity	Oilseed, Soybean				(1000 HA)(1000 MT)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Area Planted	0	0	0	0	0	0
Area Harvested	1	1	1	1	0	1
Beginning Stocks	38	38	27	72	32	70
Production	1	1	1	1	0	1
MY Imports	240	285	280	230	0	230
MY Imp. from U.S.	171	178	180	145	0	145
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	279	324	308	303	32	301
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	220	220	240	200	0	200
Food Use Dom. Consump.	28	28	31	29	0	30
Feed,Seed,Waste Dm.Cn.	4	4	5	4	0	4
TOTAL Dom. Consumption	252	252	276	233	0	234
Ending Stocks	27	72	32	70	0	67
TOTAL DISTRIBUTION	279	324	308	303	0	301
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PRODUCTION, Oilmeals

Copra meal production was reduced in MY04/05 as a result of downward adjustments made to copra crush during the year. A more pronounced decline in copra meal production is expected in MY05/06 as copra supply is expected to further tighten.

SBM production in 2005 was pared down due to downward adjustments made to soybean crush as a result of high SBM stock levels entering the year. For 2006, SBM production is likely to stay flat due to increasing production costs and the predicted slowdown of the manufacturing sector.

Fishmeal production will likely remain flat through 2006 as there continues to be no known major investment in the industry. Production and trade figures in the table have been adjusted based on official USDA numbers.

CONSUMPTION, Oilmeals

Despite strong typhoons in the last quarter of 2004, agricultural output during the year expanded by 5.1 percent, up from the 3.8 percent growth the previous year, according to the Bureau of Agricultural Statistics (BAS). Only the livestock subsector declined (-0.4 percent) in 2004 due to a contraction of backyard hog operations and the domestic cattle industry. Output gains were recorded in the crops (4.9 percent), poultry (4.2 percent) and fishery (9.5 percent) subsectors. The growth of the fisheries subsector was enhanced by the continued and impressive 17.9 growth of the domestic aquaculture industry during the year. Bangus (milk fish) and tilapia are the dominant fish-types raised by Philippine aquaculturists.

For 2005, the farm sector is likely to slow to a range of 4.2-4.4 percent due to weather uncertainties as well as delays in planting as a result of the typhoons last year. Likely to be affected the most is the crops subsector, which accounts for roughly half of the total output of Philippine agriculture. Farm output has weakened already in the first quarter of 2005.

Copra meal consumption in MY04/05 has also been pared from the previous year's level, as the domestic cattle industry continues its anemic performance. The decline is expected through MY05/06 as local cattle inventories are likely to decrease again during the year.

SBM consumption in 2004 was revised downward as a result of the contraction of backyard hog operations due to high corn prices in early 2004. The local feed industry, composed of integrators, commercial and home-mix feed suppliers, reportedly estimates feed sales to have declined by about 30 percent during the year. SBM accounts for about 40 percent of all animal feeds which is dominated by hog feed.

The Philippine Association of Feedmillers, Inc. (PAFMI) had earlier predicted a 10 percent increase in feed sales for 2005, anticipating a rebound of backyard hog production due to low corn prices before the typhoons in late 2004. The series of tropical storms, however, damaged the 4th quarter standing corn crop, and as a result, corn prices started to rise early in the year. Post projects a rebound by the hog industry later in 2005 and overall feed demand, including SBM, is expected to increase from the previous year's level albeit at a slower rate compared to PAFMI's prediction.

Marginal, but consistent incremental growth in fishmeal consumption is predicted through 2006 as the domestic aquaculture industry is expected to continue growing during the period.

TRADE, Oilmeals

Copra meal exports to the EU were revised downwards in MY03/04 based on WTA data and is likely the result of the EU's reduction in the maximum limit of aflatoxin content in copra meal (refer to RP GAIN 4021). Because of this, exports to the EU of Philippine copra meal are expected to decline through MY05/06.

Overall copra meal exports were reduced slightly in MY04/05 to reflect the decline from the previous year's level due to the expected reduction in copra crush during the period. Exports of copra meal the following year will again decline due to the expected decrease in copra crush in MY05/06. On a calendar year basis, the UCAP projects average copra meal prices in 2005 at \$82/MT FOB Manila.

SBM imports in 2004 were revised according to WTA data and are expected to remain at this level in 2005 due to the continued high SBM stock levels during the year. The expected recovery of the hog sector this year will likely result in increased SBM imports in 2006 as feed demand expands during the period.

Fishmeal imports are expected to increase slightly through 2006 due to rising feed demand by the aquaculture industry. The U.S. is predicted to maintain its dominance in the Philippine fishmeal import market, although its market share may weaken. Latin America's fishmeal market share may increase as the EL Nino phenomenon abates in the near future.

Copra meal and soybean meal MFN tariffs are at 3 percent this year while fishmeal MFN duties are at 1 percent (refer to RP GAIN 4021).

STOCKS, Oilmeals

Copra meal stocks are predicted to decline over the next two years reflecting the decline in copra supply and copra meal production through MY05/06. SBM ending inventories are likewise forecasted to decline through 2006 as a result of the slowdown in soybean crush due to increasing production costs and the general uncertainty of the Philippine economy. Fishmeal stocks, on the other hand, are likely to remain flat over the next two years compared to the 2004 ending stock level.

POLICY, Oilmeals

Responding to the high aflatoxin content of copra meal, the Philippine Department of Agriculture (DA) last year proposed the distribution of copra dryer equipment in the Philippines' major coconut producing areas. Inadequate GRP funds, however, will likely not be able to support the program.

PSD Table						
Country	Philippines					
Commodity	Meal, Copra					
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2003		10/2004		10/2005
Crush	2283	2283	2426	2270	0	1860
Extr. Rate, 999.9999	0.324573	0.324573	0.324402	0.323789	0	0.322581
Beginning Stocks	115	115	80	80	81	55
Production	741	741	787	735	0	600
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	856	856	867	815	81	655
MY Exports	460	460	465	450	0	330
MY Exp. to the EC	200	30	190	25	0	10
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	316	316	321	310	0	300
TOTAL Dom. Consumption	316	316	321	310	0	300
Ending Stocks	80	80	81	55	0	25
TOTAL DISTRIBUTION	856	856	867	815	0	655
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Philippines					
Commodity	Meal, Soybean					
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Crush	220	220	240	200	0	200
Extr. Rate, 999.9999	0.795455	0.795455	0.795833	0.79	0	0.79
Beginning Stocks	86	86	78	121	80	74
Production	175	175	191	158	0	158
MY Imports	1186	1160	1225	1160	0	1200
MY Imp. from U.S.	288	192	325	192	0	215
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1447	1421	1494	1439	80	1432
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	1369	1300	1414	1365	0	1400
TOTAL Dom. Consumption	1369	1300	1414	1365	0	1400
Ending Stocks	78	121	80	74	0	32
TOTAL DISTRIBUTION	1447	1421	1494	1439	0	1432
Calendar Year Imports	1186	1160	0	1160	0	1200
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Philippines					
Commodity	Meal, Fish				(1000 MT)(PERCENT)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Catch For Reduction	0	0	0	0	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	1	1	1	1	1	1
Production	11	11	11	11	0	11
MY Imports	46	46	46	47	0	48
MY Imp. from U.S.	0	22	0	22	0	22
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	58	58	58	59	1	60
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	57	57	57	58	0	59
TOTAL Dom. Consumption	57	57	57	58	0	59
Ending Stocks	1	1	1	1	0	1
TOTAL DISTRIBUTION	58	58	58	59	0	60
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PRODUCTION, Oils

Philippine CNO production in MY04/05 was revised downwards due to similar revisions made to copra crush, for a slight decline from the previous year's output. For MY05/06, CNO production is expected to decline more steeply from the previous year's level due to the drop in copra production during the year.

As mentioned in the CONSUMPTION, Oilseeds section, inefficient CNO mills and inferior support-infrastructure affect the quality of copra and copra-derived products such as copra meal and CNO. The need for investments to address the situation will become more apparent with new, but stricter food and CNO standards in traditional and major CNO export markets (refer to TRADE, Oils).

For SBO, production this year is expected to decline marginally from last year's output due to increasing petroleum prices and production costs. SBO output in 2006 will likely stay flat compared to the previous year's level due to the expected weak demand for SBO as a result of uncertainty over the performance of the Philippine economy during the period.

CONSUMPTION, Oils

Despite achieving the highest GDP growth rate in 15 years in 2004, the Philippine economy is currently in a fragile situation. According to the NSCB, Philippine GDP accelerated 6.1 percent last year from the 4.7 percent growth rate in 2003, fueled by the strong performances of the agriculture, fishery and forestry, industrial, and services sectors. This year, however, the GRP predicts GDP to slow to a range of 5.3-6.3 percent due to a decline in agricultural output. GDP growth rate is projected to increase to 6.3-7.3 percent in 2006, and 6.5-7.5 percent in 2007.

The International Monetary Fund (IMF) and the Asian Development Bank (ADB), however, have lower Philippine GDP growth rate projections this year. The former expects the local economy to grow by 4.7 percent in 2005 and 4.5 percent the following year, while the ADB projects a GDP growth rate of 5 percent this year through 2007. Both cite the country's problematic investment and fiscal situation, as well as the predicted decline in agricultural output this year for the slowing of GDP in 2005. The GRP is currently encouraging more investment in mining, a sector it recently opened to foreign investment, and is imposing new taxes as part of a reform package to generate an extra P80 billion (\$1.48 billion) each year. Last year, the country's budget deficit was reportedly at P187.1 billion (\$3.46 billion) or approximately 4 percent of GDP.

The official inflation target in 2005 is 5-6 percent but this will likely be surpassed due to rising petroleum and consumer prices. The National Economic and Development Authority (NEDA) recently reported it expects year-on-year inflation to breach the 8 percent level. This, coupled with the additional taxes, is expected to curb overall domestic consumption.

Domestic CNO consumption in MY04/05 will likely stay flat compared to the previous year's level as a result. Although the effects of rising inflation are likely to be more evident in MY05/06, the predicted contraction of CNO demand during the year will be mainly due to tightness in CNO supply.

Industrial CNO demand would have been increasing through MY05/06 had it not been for the decline in copra production, due to the GRP's program requiring all government vehicles to incorporate coconut methyl ester (CME) in its diesel requirements. (refer to GAIN RP 4021 and RP4019). CNO and methanol are used as major raw materials in CME production and tightness in overall copra supply is expected to jeopardize progress of the program in the

next two years. Compared to the MY03/04 level, industrial CNO consumption will likely stay flat in MY04/05, and then contract slightly in MY05/06 as CNO output declines.

Likewise, no growth in food consumption of CNO is expected in MY04/05 as growth in edible oil demand will likely be covered by palm oil imports. CNO food use the following year is expected to decline due to tightness in CNO supply.

SBO demand will likely remain flat through 2006 as a result of the slowdown of the Philippine economy brought about by the country's current investment and fiscal problems.

TRADE, Oils

For the past two years, the Philippines has enjoyed a positive agricultural trade balance with the United States, with CNO as the country's main agricultural export buoyed by increasing world prices. CNO prices in 2004 averaged \$603/MT FOB Manila, according to the UCAP, comparatively higher than in previous years. CNO prices, though, may dip slightly this year, but are predicted to remain in the vicinity of the \$600 level. In MY03/04, the Netherlands was the top destination of Philippine CNO exports, followed by the United States.

Overall CNO exports through MY05/06 are expected to decline commensurate to the decline in copra crush during the period. The majority of CNO exports during the period are still expected to go to the EU and the United States. However, new and impending trade and labeling policy changes may affect CNO exports to these two export markets beyond MY05/06 (refer to OILS, Policy).

Philippine imports of vegetable oils more than doubled from 56,761 MT in 2003, to 123,283 MT last year, according to the UCAP. Palm oil imports during the period accounted for approximately 80 percent of overall vegetable oil imports in 2004. Imports of palm oil almost tripled from 33,540 MT in 2003 to 98,026 MT last year. According to the same source, SBO was the second largest vegetable oil imported last year, with a 12 percent share of total vegetable oil imports during the period. Malaysia was the leading source of vegetable oil imports supplying about 89 percent, followed by Indonesia with 5 percent share.

SBO trade figures in 2004 were adjusted consistent with statistics from the WTA. SBO imports during the year largely originated from Malaysia while most of the SBO exported were bound for Singapore and Vietnam. Imported SBO is expected to stay flat through 2006 as no significant changes in local demand are expected due to the rising inflation. SBO exports, on the other hand, will likely not be competitive, disadvantaged by the increasing costs of production. As a result, SBO exports in 2005 are predicted to decline from the 2004 level, and remain flat the following year.

MFN Tariffs on CNO in 2005 are at 10 percent, higher than the 7 percent MFN duty for SBO. As mentioned in RP GAIN 4021, the Common Effective Preferential Tariff (CEPT) rates under the ASEAN Free Trade Agreement (AFTA), are, in general terms, lower than the MFN rates and as a result, encourage more intra-regional trade of oils.

STOCKS, Oils

CNO stocks are expected to remain at the MY03/04 level over the next two years due to tightness in overall copra supply. SBO year-end inventories, on the other hand, will likely remain flat compared to the 2004 stock level through 2006.

POLICY, Oils

Although the restoration of the EU's GSP privileges for Philippine CNO exports provide lower duties compared to CNO from other sources (refer to GAIN RP 4021), local CNO mills will have to contend with the new ruling of the Codex Alimentarius Commission (CAC) which lowered the PaH content of CNO from 47 parts per billion (ppb) to 12 ppb.

Another impending regulatory framework by the EU called REACH (Registration, Evaluation and Authorization of Chemicals) may also negatively affect oils and fats trade with the EU, if approved. The regulations require the registration of the chemical content of products prior to their entry to the EU and though unconfirmed, this policy is likely to include coconut-based exports, particularly CNO and CNO-based products including oleochemicals, and SBO. REACH, according to press reports, will also require manufacturers and exporters to include the properties, uses, and classification of manufactured or exported chemicals in the registration process. In addition, the new regulations will require guidance on the safe use of the registered chemicals or substances. REACH reportedly will be administered by an accredited EU chemical agency.

In the United States, meanwhile, the U.S. Food and Drug Administration's (USFDA) regulation requiring all food labels to indicate the percent trans fats of food products by January 1, 2006 will likely impact SBO more than CNO. Since the majority of Philippine CNO exported to the United States is used for industrial purposes (soaps, lotions, shampoo and other cosmetic products), the new FDA labeling requirement is expected to have minimal impact on CNO exports to the United States.

PSD Table						
Country	Philippines					
Commodity	Oil, Coconut					
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2003		10/2004		10/2005
Crush	2283	2283	2426	2270	0	1860
Extr. Rate, 999.9999	0.629873	0.629873	0.629843	0.623348	0	0.623656
Beginning Stocks	37	37	26	26	31	26
Production	1438	1438	1528	1415	0	1160
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1475	1475	1554	1441	31	1186
MY Exports	1020	1020	1070	986	0	735
MY Exp. to the EC	340	340	330	320	0	245
Industrial Dom. Consum	110	110	118	110	0	108
Food Use Dom. Consump.	310	310	325	310	0	308
Feed Waste Dom. Consum	9	9	10	9	0	9
TOTAL Dom. Consumption	429	429	453	429	0	425
Ending Stocks	26	26	31	26	0	26
TOTAL DISTRIBUTION	1475	1475	1554	1441	0	1186
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Philippines					
Commodity	Oil, Soybean				(1000 MT)(PERCENT)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Crush	220	220	240	200	0	200
Extr. Rate, 999.9999	0.231818	0.231818	0.225	0.23	0	0.23
Beginning Stocks	7	7	8	7	9	7
Production	51	51	54	46	0	46
MY Imports	15	16	16	16	0	16
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	73	74	78	69	9	69
MY Exports	0	7	0	2	0	2
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	10	10	10	10	0	10
Food Use Dom. Consump.	55	50	59	50	0	50
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	65	60	69	60	0	60
Ending Stocks	8	7	9	7	0	7
TOTAL DISTRIBUTION	73	74	78	69	0	69
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0